

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott  
Edward A. Garvey  
Marshall Johnson  
LeRoy Koppendraye  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Frontier  
Communications of Minnesota, Inc. Requesting  
Adoption and Renewal of An Alternative  
Regulation Plan

ISSUE DATE: July 19, 2001

DOCKET NO. P-405/AR-00-394

FINAL ORDER CLARIFYING  
MAY 25, 2001 ORDER

**PROCEDURAL HISTORY**

On March 31, 2000, Frontier Communications of Minnesota, Inc. (Frontier) initiated the present docket by filing a petition to revise its alternative form of regulation (AFOR) plan pursuant to Minnesota Statutes §§ 237.76 through 237.772.

On March 9, 2001, the Department, Frontier and the Office of Attorney General's Residential and Small Business Utilities Division (OAG-RUD) filed a proposed revised AFOR Plan that they all supported (AFOR Plan).

On May 15, 2001, the matter came before the Commission. At that hearing, Frontier, the Department and the OAG-RUD proposed an alternative rate design for use in the event that the Commission modified the AFOR Plan's rate design.

On May 25, 2001, the Commission issued its ORDER MODIFYING ALTERNATIVE REGULATION PLAN. That Order modified the Plan's rate design. This modification triggered a 30-day comment period as set forth at Minnesota Statutes § 237.764, subdivision 2. The Order also directed Frontier to make a filing demonstrating compliance with the Order.

On June 4, 2001, Frontier made its compliance filing.

On June 12, 2001, Frontier, the Department and the OAG-RUD filed a request for clarification.

On June 19, 2001, Frontier filed a correction to its compliance filing.

The matter came before the Commission on June 26, 2001.

## **FINDINGS AND CONCLUSIONS**

### **I. Request for Clarification**

#### **A. Background**

As part of their joint AFOR Plan proposal, Frontier, the Department and the OAG-RUD agreed to recommend that Frontier reduce its revenues from rate-regulated services according to a formula. The Commission approved that proposal.

Additionally, the parties agreed to recommend a specific rate design – that is, a plan regarding which rates to reduce to produce the desired revenue reduction. But at its May 15 meeting, the Commission expressed concern that some of these reductions might reduce prices below cost. In response to this concern, the parties orally offered an alternative rate design. The Commission approved this proposal as the Commission understood it, and issued an order to that effect on May 25, 2001.

After the Order was issued the parties sought clarification, explaining that they had understood the proposal differently than the Commission had. The parties reiterated their support for withholding residential rate reductions in exchanges where the average monthly cost per residential line exceeds \$40, and withholding business rate reductions where the average monthly cost per business line exceeds \$60. But they clarified that they had not meant to use those same \$40 and \$60 figures as a basis to calculate maximum rate reductions. The parties ask the Commission to clarify its order to approve the rate design proposal as they had intended it. No party spoke in opposition to the parties' request.

#### **B. Commission Action**

The Commission accepts the parties clarification of their proposal, finds the clarified proposal reasonable, and will approve it. Accordingly, the Commission will no longer require Frontier to establish a maximum rate reduction for each exchange, and will substitute the following language for the language that appears in the May 25 Order's ordering paragraph 1.A:

- A. When executing the three annual rate reductions provided for in the AFOR, Frontier shall refrain from reducing an exchange's *residential* local or EAS rates except to the extent that the exchange's average cost per line is less than or equal to \$40 per month. Frontier shall refrain from reducing an exchange's *business* local or EAS rates except to the extent that the exchange's average cost per line is less than or equal to \$60 per month. For purposes of this calculation, the average cost per line in the Belle Plaine and Madison exchange shall be \$40.

### **II. Compliance Filing**

As noted above, Frontier made a filing in compliance with the Commission's May 25 Order, reflecting the parties' understanding of that Order. Frontier subsequently filed a correction to that filing. No party opposed this filing.

Having reviewed the filing, the Commission finds it consistent with the Commission's May 25 Order as clarified, and will accept it.

## **ORDER**

1. The parties' Request for Clarification of Order is granted. In the Commission's May 25, 2001 ORDER MODIFYING ALTERNATIVE REGULATION PLAN, the instruction to use the \$40 and \$60 revenue estimates to calculate a maximum rate reduction for each exchange is retracted. Ordering paragraph 1.A. is revised as follows:
  - A. When executing the three annual rate reductions provided for in the AFOR, Frontier shall refrain from reducing an exchange's *residential* local or EAS rates except to the extent that the exchange's average cost per line is less than or equal to \$40 per month. Frontier shall refrain from reducing an exchange's *business* local or EAS rates except to the extent that the exchange's average cost per line is less than or equal to \$60 per month. For purposes of this calculation, the average cost per line in the Belle Plaine and Madison exchange shall be \$40.
2. The compliance filing of June 4, 2001, as amended by filing of June 19, 2001, is accepted.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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